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J. C. PENNEY COMPANY
Annual Report / 1958



Seated, from left:

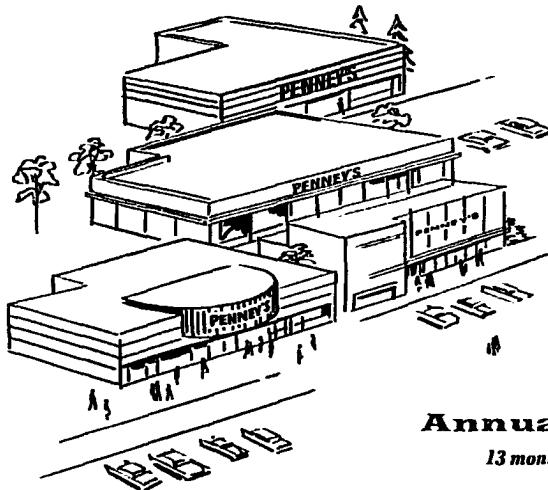
**F. A. Bantz, W. M. Batten,
A. W. Hughes, J. C. Penney
and E. A. Ross.** *Standing:*
**J. F. Brown, H. C. Mills,
C. L. Wright, H. F. Torrey
and R. H. Jordan.**

DIRECTORS

FRED A. BANTZ
WILLIAM M. BATTEN
JOHN F. BROWN
ALBERT W. HUGHES
RAY H. JORDAN
HARRY C. MILLS
JAMES CASH PENNEY
EARL A. ROSS
HOMER F. TORREY
CECIL L. WRIGHT

OFFICERS

ALBERT W. HUGHES
Chairman of the Board
WILLIAM M. BATTEN
President
JOHN F. BROWN
Vice-President • Real Estate
RAY H. JORDAN
Vice-President • Personnel
HARRY C. MILLS
Vice-President • Merchandise
HOMER F. TORREY
Vice-President • Sales
CECIL L. WRIGHT
Vice-President • Dist. Management
GLENDON M. CAMPBELL
Comptroller
ARTHUR JACOBSEN
Treasurer



Annual Report 1958

13 months ended January 31, 1959

J. C. PENNEY COMPANY

A Delaware
Corporation

CENTRAL OFFICE: 330 WEST 34th STREET, NEW YORK 1, N. Y.

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Annual Meeting The annual meeting of shareholders will be held May 26, 1959 at 330 West 34th Street, New York, N. Y., at 10 A.M. You are cordially invited to attend. A proxy statement, including a request for proxies, will be mailed to stockholders on or about April 24, 1959. Your prompt attention to the proxy statement will be greatly appreciated.

Transfer Agent

Chemical Corn Exchange Bank
30 Broad Street, New York 15, N. Y.

Registrar

The Chase Manhattan Bank
40 Wall Street, New York 15, N. Y.

Stock Listed on the
New York Stock Exchange

PENNEY'S

Town-Clad.

Clothing

The Story

IN BRIEF . . .

	13 months ended January 31, 1959	Calendar year 1957
Stores	1,687	1,694
Sales	\$1,109,972,649.11	\$1,312,278,407.77
Average sales per store (full year)	\$837,055.65	\$775,491.46
Net earnings	\$46,876,831.32	\$49,410,891.68
Earnings per share	\$5.69	\$6.00
Number of shares outstanding	8,231,952	8,231,952
Taxes — federal, state and local	\$63,148,699.94	\$66,494,154.96
Taxes per share	\$7.67	\$8.08
Dividends	\$34,985,796.00	\$34,985,796.00
Dividends per share	\$4.25	\$4.25
Earnings retained for reinvestment in the business	\$11,891,035.32	\$14,425,095.68
Inventories	\$192,934,812.41	\$185,576,374.78
Shareholders' equity	\$282,184,853.61	\$270,293,818.29
Shareholders	33,997	33,720

To Our Shareholders:

Because of a recent change in your Company's fiscal year, this annual report covers the 13-month period from January 1, 1958 through January 31, 1959. The practice of ending the fiscal year on January 31, adopted by your Company after careful study, is now generally accepted in the department store field.



During the 13-month period, sales reached an all-time high of \$1,409,972,649.11. Net earnings amounted to \$46,876,831.32 equal to \$5.69 a share, compared with \$49,410,891.68 or \$6.00 a share for calendar 1957. Among the factors contributing to this earnings decline was of course the recession in the national economy. Its effect on our operation is discussed later in this report. For the 12 months ended December 31, 1958 sales were \$1,325,604,532.38, an increase of \$13,326,124.61 or 1.02 per cent.

Upon retirement last April of Albert W. Hughes as president, the board of directors elected William M. Batten as the new president and chief executive officer. Although continuing as a director, our founder, James Cash Penney, relinquished his position as chairman of the board at his own request. Mr. Hughes succeeds him.

These and other changes in your Company's officers and directors are described in greater detail later in this report. Our program for the establishment of new stores, and the relocation or modernization of existing stores continued on schedule. Of even greater importance, we believe, is our continued emphasis on quality merchandise and personnel.

We appreciate the comments you shareholders send us from time to time. They are always welcome. You will note that our annual shareholders' meeting is to be held on May 26, 1959, a month later than in the past, because of the change in the fiscal year. We hope that all who can will join us at that time.

We wish to express our gratitude to our many suppliers whose cooperation makes it possible for us to offer for sale merchandise that is "Always First Quality." Particularly do we extend, to Penney associates throughout the Nation, our appreciation for their vital part in the continued progress of the Penney Company.

We enter our new fiscal year with every confidence in meeting the challenges and opportunities that lie ahead.

Sincerely,

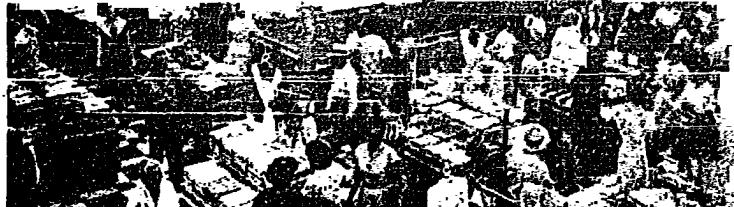
A. W. Hughes

Chairman of the Board

W. M. Batten

President

March 17, 1959



Company Operations IN REVIEW

SALES, EARNINGS AND DIVIDENDS

Sales for the 13-month period covered by this report totaled \$1,409,972,649.11. For the same period, earnings before federal income taxes were \$95,376,831.32. After provision for federal income taxes amounting to \$48,500,000.00, the net earnings were \$46,876,831.32, or \$5.69 per share. For the previous 12 months, sales totaled \$1,312,278,407.77. Earnings for 1957 before federal income taxes were \$102,560,891.68. Of this, federal income taxes took \$53,150,000.00 and earnings after income taxes were \$49,410,891.68, or \$6.00 per share on the 8,231,952 shares of common stock outstanding.

We all recall the depressed state of business during part of 1958. Many of our stores, to maintain a competitive position, sold merchandise at lower-than-usual markups. Also, our expenditures for sales promotion and advertising increased, as did certain other operating expenses. Later, as business conditions improved, we experienced an increase in sales and earnings. December sales registered an all-time high and December profits reflected this improvement.

Dividends amounting to \$4.25 per share were paid in 1958, including an extra of \$1.25. On January 2, 1959, a quarterly dividend of 75¢ and an extra dividend of \$1.25 were paid. This was your Company's 116th consecutive dividend.

FINANCIAL POSITION & INVENTORY

The strong financial position of your Company is evidenced by the balance sheet on page 12. As of January 31, cash and short-term Government securities amounted to \$136,272,661.98. In comparing this figure with the year-end statement for 1957, you will note that a dividend payment of \$16,463,904.00 was made in January 1959,

whereas in the 1957 report this same figure was shown under liabilities "for dividends payable in January of the following year."

Inventories at January 31, 1959, amounted to \$192,934,812.44 valued at cost or market, whichever was lower. This total was well in line with sales and seasonal requirements. The year-end inventory was in excellent condition.

MODERNIZATION AND NEW STORES

The expansion program included the opening of 19 new stores, all in shopping centers. 26 small stores were closed, and at the end of January there were 1,687 stores, seven less than the year before. In 1958, the average sales volume per store rose from \$775,491.46 to \$786,348.99.

47 established stores were moved to new and larger buildings chiefly in downtown locations. The moving of established stores into new, modern buildings often proves as profitable as the opening of new stores. In addition to the new and relocated stores, 158 others were enlarged, refixed or otherwise modernized.

The capital expenditures of the Company amounted to \$15.3 million, or \$2.8 million more than in 1957. In addition to these Company expenditures, landlords' investments in properties occupied by our stores totaled \$28.1 million.

In the last five years, the total capital expenditures by the Penney Company and landlords amounted to about \$200 million. This continuing program of expansion and improvement has been carried out without resorting to new financing of any kind on the part of your Company.

PENNEY AND CREDIT

Since 1902 your Company has followed a policy of selling only for cash. Last September we undertook a pilot credit operation in a small group of selected stores. Two types of credit — revolving credit, and a form of installment credit on items in higher price ranges — are being employed.



We are pleased to report the results to date have proved satisfactory. Sales gains in the pilot stores have exceeded original estimates. Because the initial group included only 24 stores, the immediate effect on the Company's operations or results was not significant. The board of directors has authorized extension of the pilot credit operation this year to 144 additional stores. A majority of these will not be in a position to offer credit before fall.

PEOPLE AND MERCHANDISE

We are pleased to report continued progress during the past year in improving our training and recruiting programs, particularly for college-trained personnel, and in the area of store organization. While activities of this sort are not as evident as new stores or other material signs of progress, they are highly important to your Company's future.

Penney stores from the beginning have sold largely soft lines — wearing apparel and shoes, piece goods and domestics, furnishings and notions and a small percentage of housewares. About 95 per cent of our sales continue to be in soft lines; however, the home furnishings and housewares departments have proved to be increasingly important with our enlarged stores and our shopping center stores. It is planned to expand these departments in additional stores.

CHANGES IN OFFICERS AND DIRECTORS

A long-time associate, J. I. H. Herbert, asked not to be renominated and retired last April as a director. Mr. Herbert had been associated with the Company since 1911 and had been a diligent member of the board since 1913. He was succeeded by Ray H. Jordan, vice-president in charge of Personnel and an associate since 1930.

Robert C. Weiderman, a director and comptroller, retired last July 1st under our retirement

plan. Mr. Weiderman had been a valued associate since 1916 when he started as an office boy. Glendon M. Campbell, assistant comptroller and an associate since 1929, was elected comptroller.

Arthur Jacobsen, formerly acting treasurer, was elected treasurer.

Following the shareholders' meeting last April, William M. Batten was named president and chief executive officer succeeding Albert W. Hughes, who had served as president since 1946. Mr. Batten joined Penney's 32 years ago as a part-time salesman at Parkersburg, West Virginia. His experience in the stores, and in the Personnel and Executive departments, well qualify him for the new assignment.

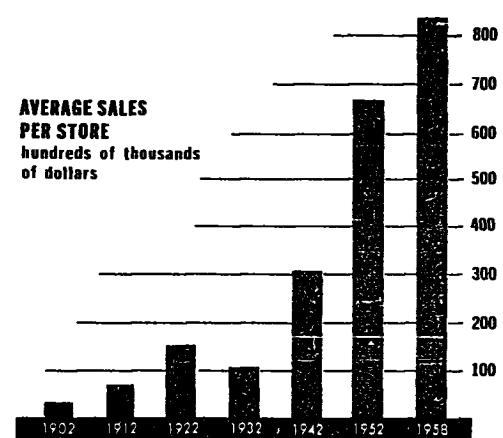
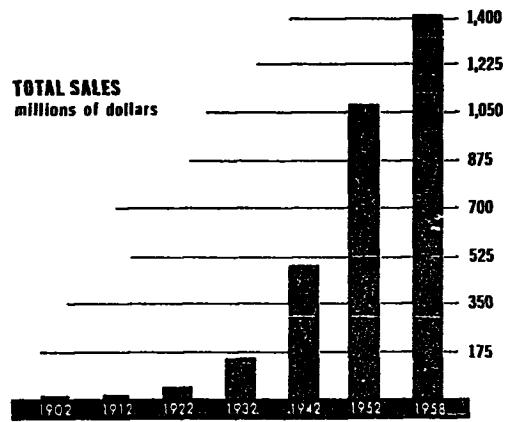
Mr. Hughes became chairman of the board succeeding our founder, James Cash Penney, who continues as an active director and an inspiration to all Penney associates.

PENCO PLAN APPROVED

The Penco Profit-Sharing Retirement Plan, a combination and refinement of two programs in effect for many years, was overwhelmingly approved at a special meeting of shareholders February 25, 1958. We believe this profit-sharing Plan, reaffirming a cardinal Penney principle, strengthens and improves our competitive position with respect to personnel.

THE OUTLOOK

During 1959, the Company plans to continue its program of expansion and modernization of stores. 20 new stores are scheduled to open — all except two in suburban shopping centers. 46 existing stores are scheduled to be relocated and 150 others improved or enlarged. In view of improved business conditions, the high morale of Penney associates and the strong position of the Company, we look forward to continuance of the progress and profitable operation which have characterized our first 57 years.



1958 columns are for 13 months ended January 31, 1959

Penney's Record of GROWTH

A is for April Anniversary!

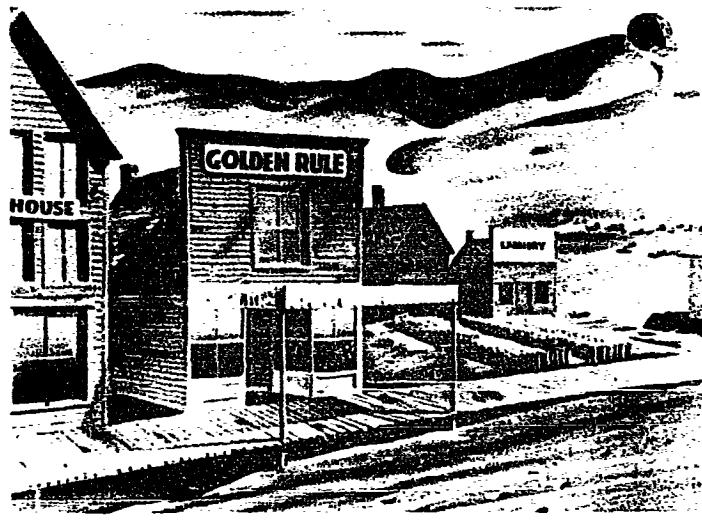
57 years ago this month the first Penney store, called "The Golden Rule," opened for business in a 20 by 40-foot frame building (below). It was an immediate success. At the end of the first day, receipts amounted to \$466.59. In its first year, the tiny dry goods store grossed \$28,898.11.

We began to grow . . . and add other stores.

Today's 1687-store chain reaches into 48 states, has grown in many dimensions: in total sales, in average sales per store, in number of stores, in average store size, in lines of merchandise, in number of shareholders, associates, suppliers and customers.

The page opposite shows recent examples of Penney's growth.

The first Penney store opened in Kemmerer, Wyoming.



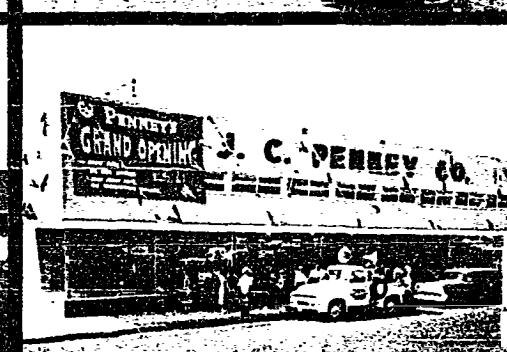
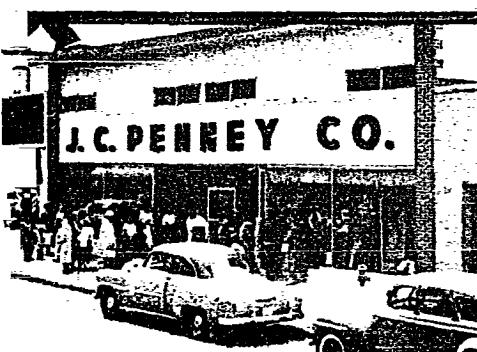
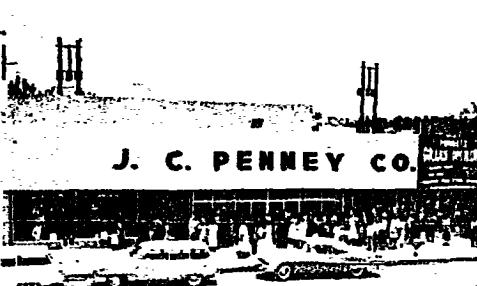


EASTOVER, MD.,
is new shopping center store.

BARSTOW, CALIF., store moved to new building.

SODA SPRINGS, IDA., store moved to new building.

SAN ANTONIO'S new Terrell Plaza store.



ST. JAMES, MINN., moved to new building.

N. OLMSTED, Ohio's new Great Northern store.

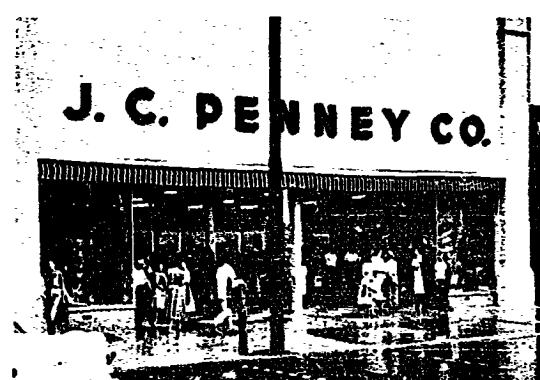
SHELTON, WASH., store moved to new building.

The Day We Opened 10 STORES

Thursday, July 31, 1958 was a day of widespread celebration at Penney's. On that day we opened 10 stores in various sections of the United States, including Arkansas, Idaho, Kansas, Montana, Ohio, Texas and Wisconsin.

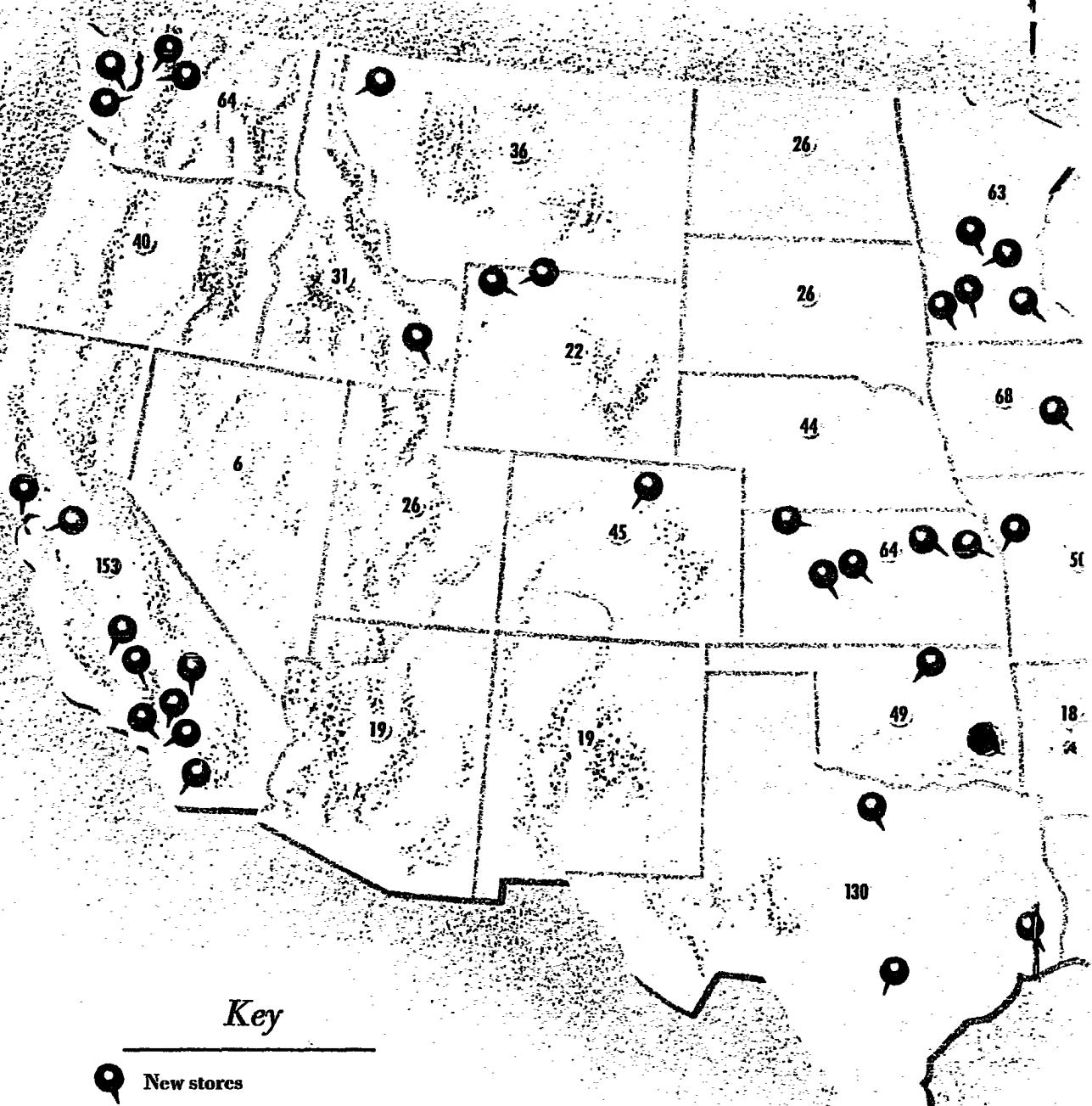
Four of the 10 were new suburban shopping center stores, four were established downtown stores opened in new buildings and two were major expansions of existing stores.

On this page are pictures of Soda Springs, Ida., San Antonio, Tex., and Ft. Smith, Ark., Penney stores which opened July 31, and other openings during the year.



FT. SMITH, ARK., store had major expansion.

GROWING WITH THE NATION

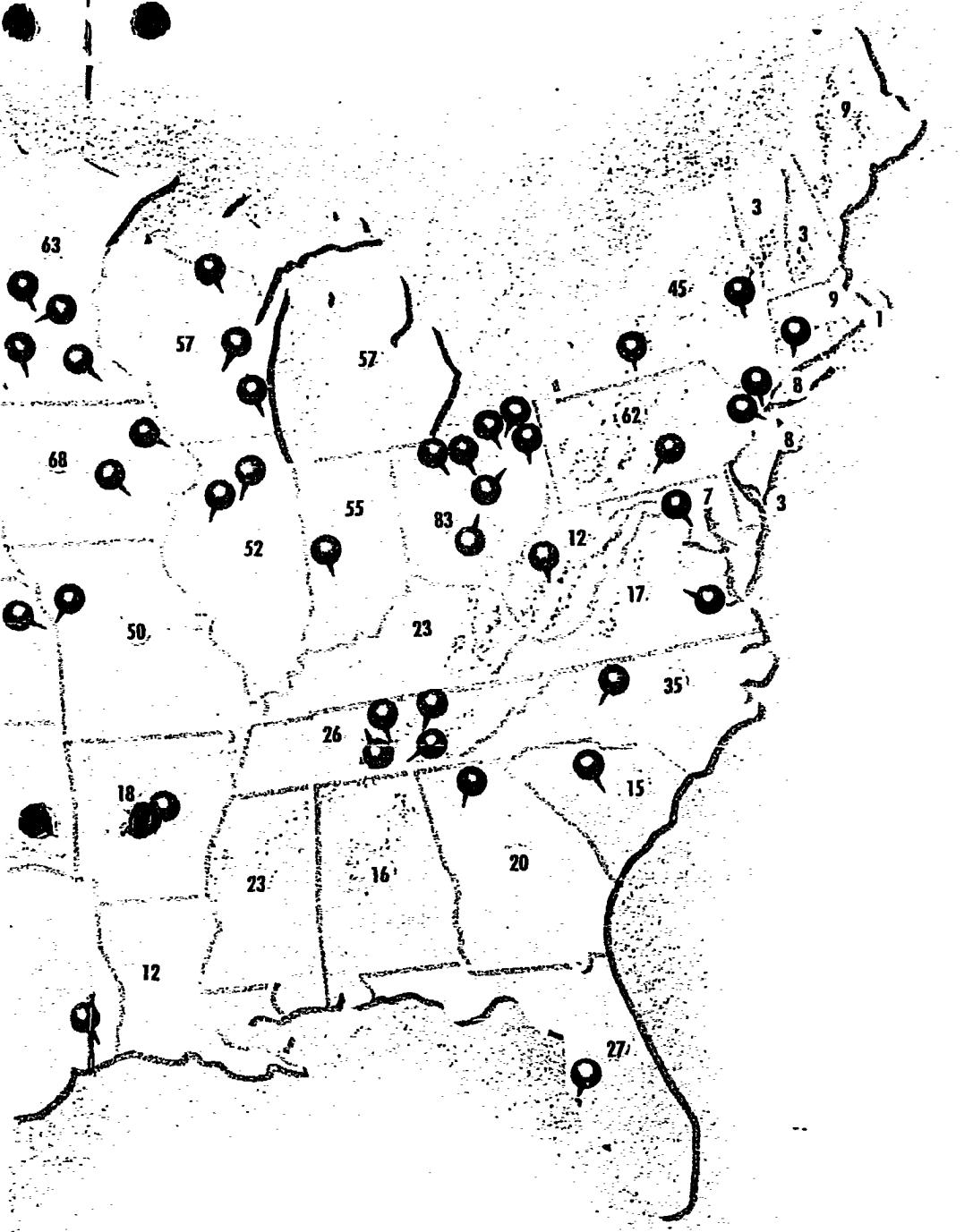


Key

-  New stores
-  Established stores moved to new buildings
-  Number of stores in state
(As of January 31, 1959)

**19 New Stores Were Opened,
47 Were Moved to New Buildings and
158 Others Were Expanded or Improved**

DN



NEW STORES OPENED

CALIFORNIA

Corte Madera Shopping Center
Corte Madera
Orngefair Shopping Center
Fullerton
Palmdale Shopping Plaza
Palmdale

CONNECTICUT

Waterbury Plaza
Waterbury

FLORIDA

Crossroads Shopping Center
St. Petersburg

GEORGIA

Town & Country Shopping Center
Marietta

MARYLAND

Eastover Shopping Center
Eastover

MISSOURI

Blue Ridge Shopping Center
Kansas City

NEW JERSEY

Mid-State Mall
East Brunswick
Garden State Plaza
Paramus

NEW YORK

Westgate Shopping Center
Albany

OHIO

Great Northern Shopping Center
North Olmsted
Pleasant Valley Center
Parma
Liberty Plaza Shopping Center
Youngstown

TENNESSEE

Highland Plaza Shopping Center
Chattanooga

TEXAS

Terrell Plaza Shopping Center
San Antonio

VIRGINIA

Southside Plaza Shopping Center
Richmond

WASHINGTON

Bellevue Shopping Square
Bellevue

WISCONSIN

Elmwood Plaza Shopping Center
Racine

**ESTABLISHED STORES
MOVED TO
NEW BUILDINGS**

ARKANSAS

Little Rock

CALIFORNIA

Alameda
Barstow
Delano
Downey
*To the Stonewood
Shopping Center*

El Cajon
Ontario

COLORADO
Longmont

IDAHO
Soda Springs

ILLINOIS
Canton
Ottawa

INDIANA
Brazil

IOWA
Dubuque
Iowa City

KANSAS
Kansas City
Larned
Lawrence
Lyons
Norton

MINNESOTA
Litchfield
Rochester
St. James
Sauk Center
Worthington

MONTANA
Libby

NEW YORK
Corning

NORTH CAROLINA
Statesville

OHIO
Ashland
Logan
Massillon
Tiffin

OKLAHOMA
Perry

PENNSYLVANIA
Carlisle

SOUTH CAROLINA
Columbia

TENNESSEE
McMinnville
Murfreesboro
Rockwood

TEXAS
Beaumont
Mineral Wells

WASHINGTON
Kent
Olympia
Shelton

WEST VIRGINIA
Charleston

WISCONSIN
Berlin
Rhineland

WYOMING
Cody
Lovell

***There are Penney stores in
Every State
and Section***

1687 Family Department Stores Coast to Coast

In the West — 461



In the South — 433



In the North Central — 645

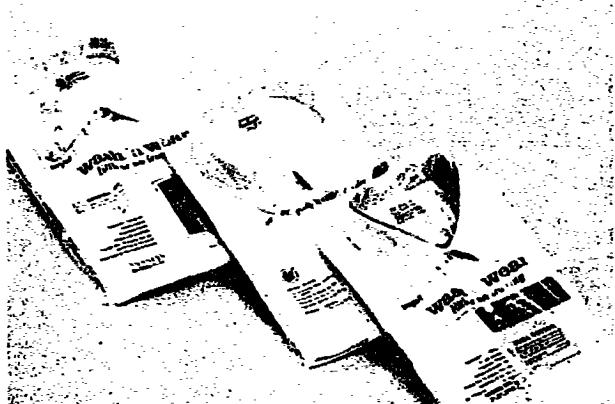
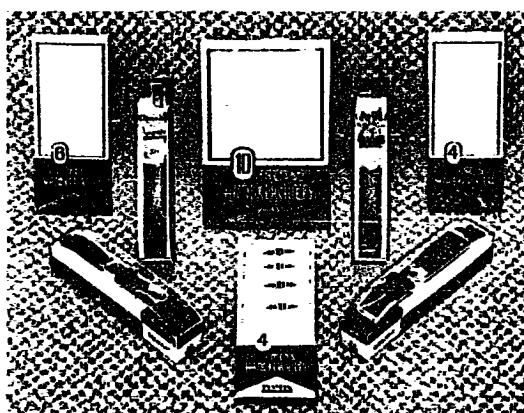
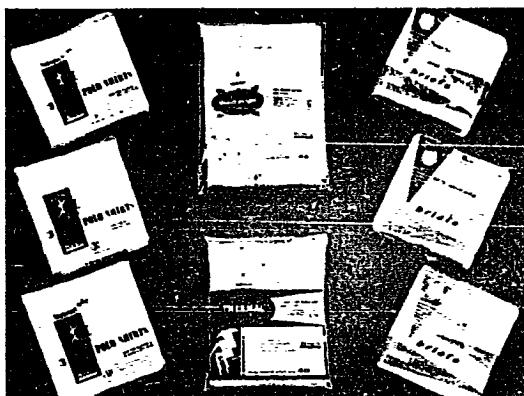
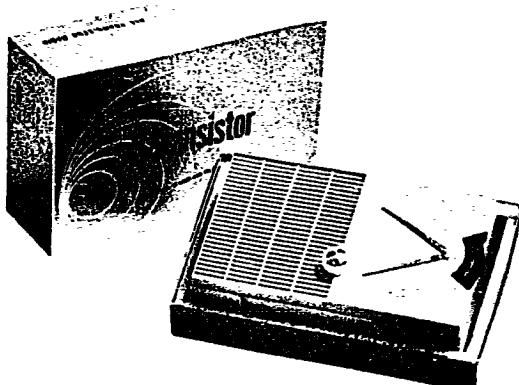


In the Northeast — 148



*Good things come in small
PENNEY PACKAGES*

Packaging is recognized today as an important element in selling. The Penney Company initiated a packaging program in 1950, among the first in its field at that time. In recent years this program has been greatly expanded and now covers many important lines. On this page are a few of the attractive results of this program, some of which have received awards for excellence (right).



*Under development is a coordinated
shoe-packaging program intended to
make the boxes, for the first time,
help sell this important line.*



*Founder James Cash Penney,
on buying trip to New York in 1907,
tests fabric samples.*

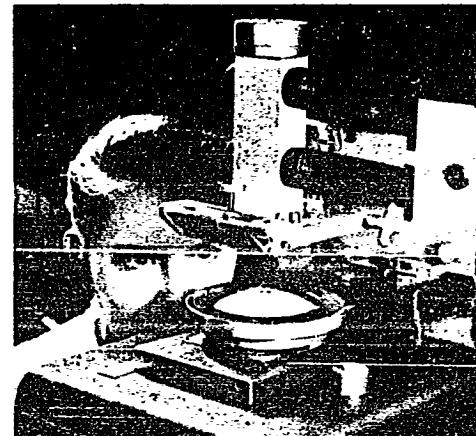


*Fabrics' tear-resistance
is measured on
guillotine-like device.*

Keeping Tabs on QUALITY



*"Slapsticks" check belts
for cracking.*



*Men's suiting is subject
of an abrasion test.*

Quality merchandise at a fair price. This has been a Penney axiom since the Company was founded nearly 60 years ago. We sell no seconds, irregulars or other substandard merchandise . . . only *first* quality, always.

Helping to realize this aim is our own fully-equipped laboratory for textile testing and research. Last year, laboratory technicians conducted more than 50,000 tests to insure that Penney quality standards were being met or improved and that the Company's advertised claims were fully justified.

Wash-fast, vat-dyed socks and corduroy fabrics, Sanforized work clothes and the use of *Sanitized*, a special hygienic finish first applied to Penney shoes and now used on infants' receiving blankets and athletic socks, are just a few of many examples of industry "firsts" first introduced by Penney's "consumer" laboratory.

BALANCE*as of January
with comparative figures***Assets**

	<u>January 31 1959</u>	<u>December 31 1957</u>
Current assets:		
Cash	\$ 53,267,199.72	\$128,548,474.25
U. S. Government securities, at cost plus accrued interest (approximate market price)	83,005,462.26	24,846,858.05
Accounts receivable less provision for doubtful accounts, \$110,891.30, at January 31, 1959	5,237,226.03	2,316,205.72
Merchandise (note 1)	192,934,812.44	185,576,374.78
Total current assets	<u>334,444,700.45</u>	<u>341,287,912.80</u>
 Property and equipment, at cost less provision for depreciation and amortization:		
Land	2,311,760.89	2,099,160.89
Buildings	6,610,491.19	6,121,130.62
Furniture and fixtures	61,754,708.33	58,242,028.21
Improvements to leaseholds	4,845,009.52	4,766,497.82
	<u>75,521,969.93</u>	<u>71,228,817.54</u>
Prepaid expenses and deferred charges	5,762,450.04	3,342,604.09
	<u>\$415,729,120.42</u>	<u>\$415,859,334.43</u>

E. S. SHEET

uary 31, 1959
ures at December 31, 1957

Liabilities

	<u>January 31</u> <u>1959</u>	<u>December 31</u> <u>1957</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 93,830,793.45	\$ 85,042,155.64
Dividends payable in January	—	16,463,904.00
Provision for Federal taxes on income	33,869,734.84	38,910,692.50
 Total current liabilities	 <u>127,700,528.29</u>	 <u>140,416,752.14</u>
 Reserves for fire losses and associates' death benefits	 <u>5,843,738.52</u>	 <u>5,148,764.00</u>
 Shareholders' equity:		
Common stock, no par value:		
Authorized, 9,000,000 shares	34,122,766.67	34,122,766.67
Outstanding, 8,231,952 shares	34,122,766.67	34,122,766.67
Retained earnings	248,062,086.94	236,171,051.62
Total shareholders' equity	<u>282,184,853.61</u>	<u>270,293,818.29</u>
	<u><u>\$415,729,120.42</u></u>	<u><u>\$415,859,334.43</u></u>

See notes to financial statements on page 15

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Statement of
Earnings and Retained Earnings

Thirteen Months Ended January 31, 1959

	<i>Thirteen Months Ended 1/31/59</i>	<i>Twelve Months Ended 12/31/57</i>
Sales	<u>\$1,409,972,649.11</u>	<u>\$1,312,278,407.77</u>
Deduct:		
Cost of merchandise sold, and selling and general expenses (exclusive of items set forth below)	1,278,025,744.01	1,178,871,734.35
Maintenance and repairs	3,345,743.69	2,799,651.33
Depreciation and amortization	11,790,207.27	10,062,449.22
Taxes, other than taxes on income	13,438,699.94	12,094,151.96
Company contributions to retirement plans	8,290,394.72	6,034,979.50
	<u>1,314,890,789.63</u>	<u>1,209,862,969.36</u>
	<u>95,081,859.48</u>	<u>102,415,438.41</u>
Miscellaneous income — net	1,504,971.84	1,395,453.27
	<u>96,586,831.32</u>	<u>103,810,891.68</u>
 Provision for taxes on income:		
Federal	48,500,000.00	53,150,000.00
State and City	1,210,000.00	1,250,000.00
	<u>49,710,000.00</u>	<u>54,400,000.00</u>
Net earnings for the period	<u>46,876,831.32</u>	<u>49,410,891.68</u>
 Retained earnings — balance at beginning of period	236,171,051.62	221,745,955.94
Dividends — \$4.25 per share	283,047,882.94	271,156,847.62
Retained earnings — balance at end of period	\$ 248,062,086.94	\$ 236,171,051.62

Notes to Financial Statements:

1—Inventories are stated at the lower of cost or market determined as follows:

Merchandise in stores—by the retail method.
Other inventories—cost determined by the first-in first-out method and market on the basis of replacement cost.

2—At January 31, 1959 the total minimum annual fixed rentals payable under leases expiring after five years was approximately \$10,000,000.00. Leases covering about 75% of this amount will expire on various dates during the next twenty years.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
ACCOUNTANTS AND AUDITORS
SEVENTY NINE STREET
NEW YORK 6, N.Y.

To the Shareholders and the Board of Directors
J. C. Penney Company:

We have examined the balance sheet of J. C. Penney Company as of January 31, 1959 and the related statement of earnings and retained earnings for the thirteen months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of J. C. Penney Company at January 31, 1959 and the results of its operations for the thirteen months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

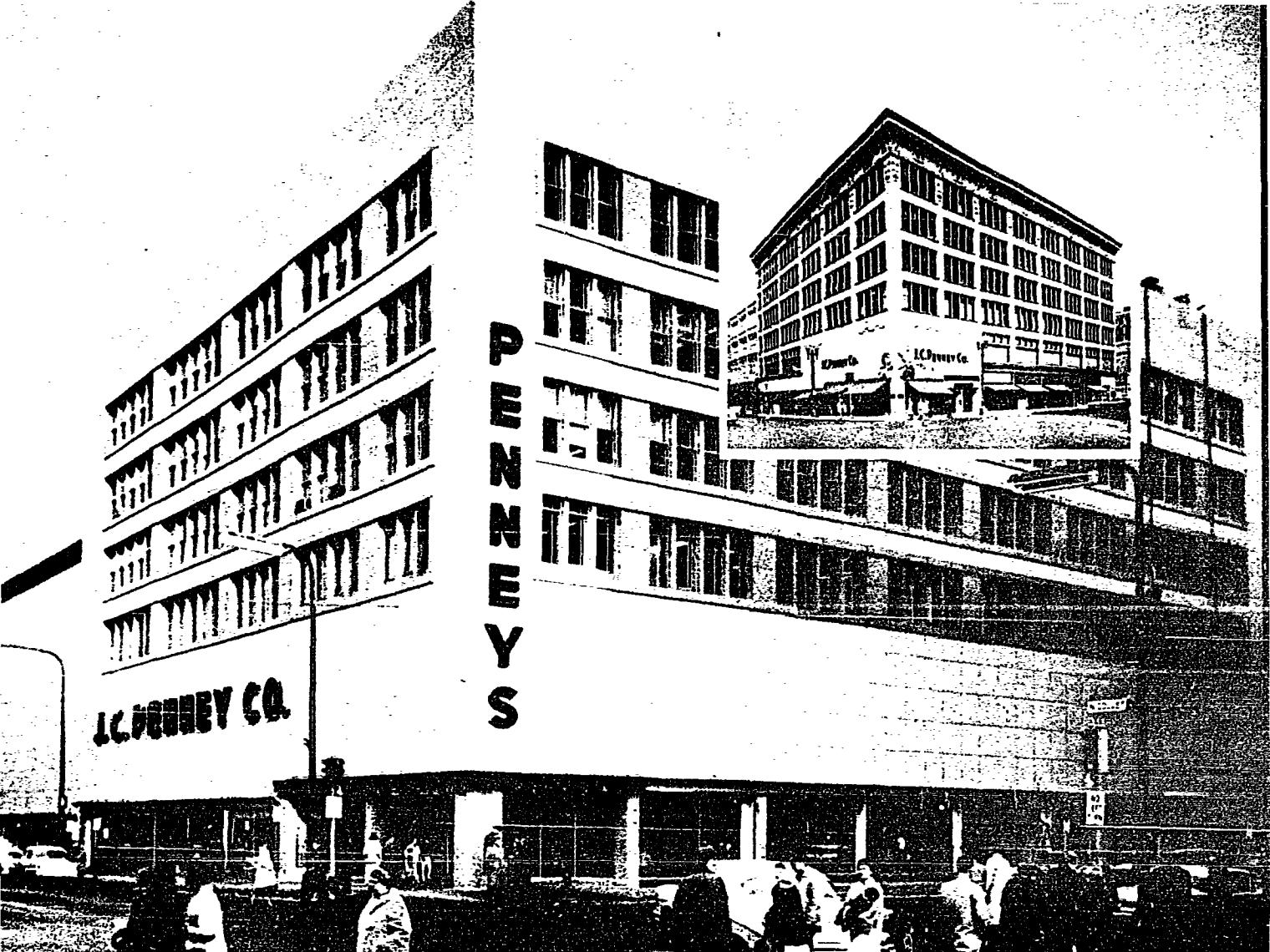
New York, N.Y.
March 17, 1959

Peat, Marwick, Mitchell & Co.

10-Year Financial Review

	Number of Stores	Sales	Average Sales per Store (full year)	Net Earnings	Earnings per Share	Taxes — federal, state and local	Taxes per Share	Dividends per Share	Earnings retained for reinvestment in the business
*1958	1,687	\$1,409,972,649	\$837,055	\$46,876,831	\$5.69	\$63,148,699	\$7.67	\$4.25	\$11,891,035
1957	1,694	1,312,278,407	775,491	49,410,891	6.00	66,494,154	8.08	4.25	14,425,095
1956	1,687	1,291,067,267	766,182	46,780,721	5.68	62,835,265	7.63	4.25	11,794,925
1955	1,666	1,220,085,325	735,293	46,139,608	5.60	60,831,930	7.39	3.95	13,623,338
1954	1,644	1,107,156,633	674,844	43,616,938	5.30	54,596,983	6.63	3.50	14,805,106
1953	1,634	1,109,507,674	680,511	38,472,932	4.67	64,750,062	7.87	3.50	9,661,100
1952	1,632	1,079,256,505	662,633	37,170,071	4.52	64,322,528	7.81	3.50	8,358,239
1951	1,621	1,035,201,519	641,368	33,465,139	4.07	58,379,919	7.09	3.25	6,711,295
1950	1,612	949,711,735	590,471	44,930,816	5.46	49,392,793	6.00	3.50	16,118,984
1949	1,607	880,200,216	548,473	41,792,675	5.08	33,583,416	4.08	3.00	17,096,819

* Thirteen months ended January 31, 1959.



After "face-lifting," our "old" downtown Minneapolis store (inset) took its place in the chain this spring as one of our biggest and most modern stores.

plans for Penney's growth in 1959

- 20 new stores are scheduled to open totaling about 889,000 square feet. Average gross area of the 20 new stores in 1959 is 44,450 square feet.
- 46 established stores are slated to be moved to new buildings totaling about 1,210,000 square feet, a net gain of 524,000 square feet.
- 201 established stores are scheduled to be expanded or improved, for a net gain of about 295,000 square feet.
- 1959 estimated gain in total gross area resulting from new stores, relocations, expanded and improved stores: 1,707,000 square feet.

SHOP PENNEY'S . . . *You'll live better, you'll save!*



PENNEY'S . . . *Always First Quality*